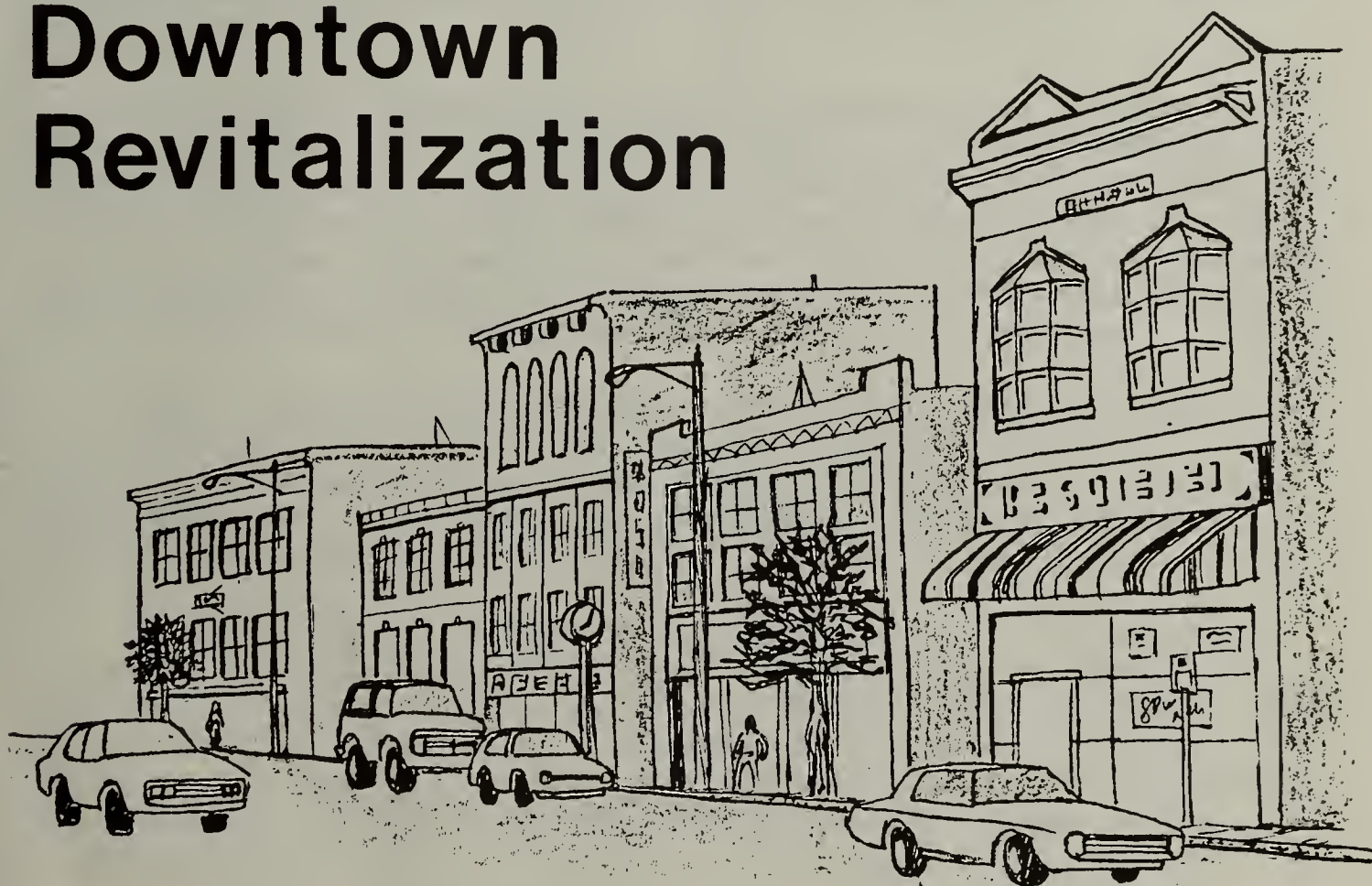


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# THE CARD PROGRAM

## A Guide To Downtown Revitalization



Massachusetts Industrial  
Finance Agency





## INTRODUCTION

Massachusetts is extremely fortunate to have a network of commercial and industrial centers that have added to both our heritage and prosperity. These downtown areas have provided jobs, products and services to our citizens.

Yet as traditional New England industries declined in recent decades, so did these important downtown areas. Streets that once bustled in activity as the focal point of community happenings became lined with empty storefronts with vacant and deteriorating space on the upper floors.

Recognizing the need to bring the downtowns back to life while preserving their architectural and historical character, the state Legislature passed a bill in 1978 to assist these areas with special investment incentives. The Commercial Area Revitalization District, or CARD, program utilizes these various financing incentives through the Massachusetts Industrial Finance Agency for the rehabilitation or new construction of buildings for commercial activities.

Since the CARD program began, MIFA has been able to finance over \$225 million of investment for revitalization projects. Nearly all of the cities and many larger towns in Massachusetts have used the CARD program for commercial investments, and local merchants are seeing a welcome rebirth in their downtowns.

A lively and attractive business district is a very important consideration for industrial firms deciding whether to move into a community. Since the influx of new companies will provide thousands of new jobs for Massachusetts residents in the years to come, it is essential that we continue our efforts to revitalize our downtowns and preserve their historic role as the economic centers of the Commonwealth.

## ESTABLISHING A CARD

CARD districts are established at the local level through the active participation of municipal officials, business leaders and private citizens who prepare a revitalization plan for their downtown. The plan then must be approved by the Secretary of Communities and Development. All projects utilizing the various CARD incentives must be consistent with the objectives set forth in the adopted revitalization plan.



## ELIGIBLE COMMERCIAL DEVELOPMENTS

Eligibility requirements for CARD incentives are flexible enough to assist the variety of development projects that will prove instrumental in rebuilding our commercial centers. MIFA is able to assist projects ranging from parking garages to office space, retail establishments, and hotels.

MIFA is also allowed to include residential units in commercial properties rehabilitated under the CARD program. These "mixed-use" rehabilitations can greatly contribute to the success of urban revitalization by generating needed housing units while at the same time bringing life back into the downtowns. Federal law does require that 15 to 20 percent (depending on location) of the residential units must be available for low and moderate income people, and no more than 10 percent of the loan proceeds may be used for rehabilitating the commercial space within the building.

Legislation recently passed in Congress prohibits financing for certain facilities such as tennis clubs, golf courses and race tracks, and limits to 25 percent the amount of bond proceeds to be used to finance restaurants and facilities used for recreation or entertainment purposes.

## THE CARD INCENTIVES

There are four basic incentives offered to eligible commercial businesses locating or expanding in a CARD district: MIFA low interest loans for commercial enterprises and mixed-use projects; MIFA's Pooled Marketing Program; MIFA loan guaranties for revitalization projects; and tax credits through the Urban Job Incentive Program.

### MIFA Low Interest, Tax-exempt Loans

MIFA low interest, industrial revenue bond loans have become a major financing tool for restoring our downtowns and urban centers. These mortgages carry a significantly lower interest rate than conventional loans. A tax-exempt financed CARD development can yield a higher return on investment than a comparable project located outside a CARD district.

Borrowers interested in tax-exempt loans must secure a private lender, just as they would if seeking a conventional loan. Approval from MIFA (or a local industrial development financing authority along with MIFA approval) will give the loan "tax-exempt" status, thus the lender receives tax-free income and in turn can pass on the benefits of this favorable treatment to the borrower in the form of lower interest rates.

While MIFA can grant tax-exempt loans for projects up to \$10 million, larger projects of up to \$20 million can be partially financed with a \$10 million tax-exempt loan if the project also receives an Urban Development Action Grant.

### MIFA Mortgage Insurance

Many small businesses and developers interested in investing in the state's older commercial centers often have difficulty obtaining adequate financing from their lender. To assist these businesses, MIFA will insure a portion of a loan.

MIFA's Mortgage Insurance Program helps developers by providing their lenders with additional security on up to 40 percent of the first mortgage loan. With insurance coverage, a lender is able to increase the amount of its loan at tax-exempt rates without increasing its risk.

To be eligible for MIFA mortgage insurance, the borrower must use the insured loan for substantial rehabilitation of one or more buildings that are designated as an integral part of the CARD plan. (Moreover, MIFA will insure tax-exempt loans and has no requirements that the borrower be turned down first by private lenders.)

### The Urban Job Incentive Program

In addition to MIFA tax-exempt financing and mortgage insurance, the state's Urban Job Incentive Bureau offers major new employers, within a CARD, credits against their Massachusetts taxes. Eligible firms receive a state tax credit against their corporate excise liability sufficient to reduce their local property taxes to the state average. The state reimburses the community for the loss of property tax revenue.

The company may also receive a deduction equal to 25 percent of its payroll for employees living within an eligible area.

### Mortgage Pooling for the CARD Program

MIFA offers insured bond programs for projects that are not able to secure financing from private lenders. The agency has completed two industrial revenue bond pools sold on the public credit market which have raised funds to rehabilitate historic buildings in two cities. New, even more advantageous financing is being developed that will also include CARD projects.

Many CARD projects have been made possible by mortgage pools formed by local banks, each one taking a portion of the total bond amount. While Springfield and Westfield have established more formalized mortgage pools, other cities and towns have benefitted from financing by several lenders joining together for specific projects. In all of these instances, the banks were able to make a solid contribution to the revitalization of their communities while reducing the amount of their exposure on the loan.

## STEPS TO FOLLOW FOR CARD FINANCING

Through the Commercial Area Revitalization Distric program, MIFA offers powerful financing tools to commercial developers interested in investing in our downtowns. Physically and econmically healthy downtown areas will result in more employment opportunities, thereby improving a community's overall business image.

To apply for MIFA financing through the CARD progam, please follow these steps.

### Step 1

Contact MIFA to determine eligibility of the project, referral to local industrial development financing authority if one exists in the project location, ideas on possible funding sources, and other potentially applicable programs.

### Step 2

Review and fill out the application form available from MIFA call a "Project Information Statement". Lawyers to serve as "bond counsel" should be selected at this stage by the borrower (with the proposed lender's approval if possible).

(Projects containing a mix of residential and commercial uses should follow Step 2A and then proceed to Step 4.)

### Step 2A

Have the city council/board of selectmen of the municipality/town in which the project is located hold a public hearing and approve the project as a "substandard, decadent or blighted open area" (as defined in M.G.L. C.121A).

These hearings should be publicized at least 10 days prior to the local hearing in the newspaper of general circulation in the municipality or town in which the project is located. (Forms are available from MIFA for this notice.)

### Step 3

Have MIFA, or the local authority and the municipality's governing body take the first vote to approve the project before commitments for the project, including a purchase and sale agreement for property or a purchase order for equipment, are made.

### Step 4

Construction or purchase of the building or equipment may commence.



Step 5

Negotiate the final financing terms with the lender as the lawyers complete the loan papers, research the zoning, title, and complete other legal aspects of the financing.

Step 6

Submit the final loan papers for approval by the local authority if it is to issue the bond, and then by MIFA's board of directors, or by MIFA only if MIFA is to issue the bond.

Step 7

Upon MIFA's approval, MIFA will supply a Certificate of Convenience and Necessity, and immediately thereafter the loan can be completed.

Pooled Marketing Program

Step 1

Contact MIFA to determine eligibility of financing through the Pooled Marketing Program.

Guarantied Loans

If a guaranty is requested, MIFA will need up to three weeks for an appraisal to be done, and accordingly MIFA should be called to commence the loan guaranty processing as close as possible to Step 2.

For further information on CARD financing, contact:

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